

Message Text

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ACTION NEA-10

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R 180630Z SEP 75
FM AMEMBASSY ABU DHABI
TO USDOC WASHDC
INFO SECSTATE WASHDC 3328
AMEMBASSY KUWAIT
AMEMBASSY MANAMA

UNCLAS ABU DHABI 1864

E.O. 11652: NA
TAGS: BTIO, TC
SUBJ: DUBAI ALUMINIUM EXTRUSION PLANT

REF: A. USDOC 12016, B. USDOC 13622 (NOTAL)

ECON. OFFICER DISCUSSED INVESTMENT APPORTUNITY AND
CONTENT REFTELS WITH HUSSEIN SAJWANI. FEASIBILITY
STUDY COMPLETED BUT SAJWANI RELUCTANT TO RELEASE IT
TO ELIXIR OR ALUMAX UNTIL THEY AGREE QUOTE IN
PRINCIPAL UNQUOTE TO EQUITY PARTICIPATION RATHER
THAN TURNKEY SERVICES. SAJWANI AND OTHER BOAR
MEMBERS FEEL THAT FOREIGN EQUITY PARTNER WITH LONG
TERM MANAGEMENT CONTRACT WILL PROVIDE MORE INCENTIVE
TO OPERATE PLANT EFFICIENTLY ESPECIALLY IN VIEW OF
COMPETITIVE PRESSES IN KUWAIT AND BAHRAIN.

2. EMBASSY RECOMMENDS THAT ELIXIR AND ALUMAX AGREE
TO THE ABOVE CONDITION. AS SAJWANI SAID, IF AFTER
REVIEWING FEASIBILITY STUDY, EITHER FIRM NOT
CONVINCED OF PROJECT PROFITABILITY THEY STILL FREE
TO SAY NO.

3. CONSULTANTS ESTIMATE PLANT CONSTRUCTION AT DIRHAMS
20 MILLION (ABOUT DOLLARS 5 MMLLION). BOARD BELIEVES
DIRHAMS 15 MILLION MORE REALISTIC. PAYBACK PERIOD ON
THESE CAPITAL COSTS ESTIMATED AT FOUR YEARS. FOREIGN
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PARTNER EXPECTED TAKE AT MINIMUM TEN PERCENT EQUITY,

PREFERABLY TWENTY. WITH MANAGEMENT CONTRACT, SALE OF EQUIPMENT, AND OTHER FEES FOREIGN PARTNER PAYBACK PERIOD WOULD BE SIGNIFICANTLY SHORTER.

4. SAJWANI AGREES THAT COMPETITION FROM EXTRUSION PLANTS IN BAHRAIN AND KUWAIT IS SERIOUS FACTOR FOR FOREIGN PARTNER TO CONSIDER. HE POINTS OUT HOWEVER THAT BAHRAIN PROJECT, BEING DONE ON TURNKEY BASIS, IS ALREADY 50 PERCENT MORE EXPENSIVE THAN PROPOSED DUBAI PLANT. LOWER COSTS COUPLED WITH EQUITY HOLDING FOREIGN MANAGEMENT MEANS DUBAI PLANT CAN OFFER CUSTOMER BETTER PRICE.

5. EMBASSY APPRECIATES USDOC ASSISTANCE WITH THIS INVESTMENT OPPORTUNITY. REQUEST DOC CONTACT ELIXIR AND ALUMAX AND DETERMINE US COMPANIES AMENABLE TO PROCEED WITH NEGOTIATIONS ON BAIS OUTLINED PARA 1.
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